

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 EUR-12 EA-07 ISO-00 TRSE-00 OMB-01

EPG-02 CEA-01 AID-05 IGA-02 CIAE-00 INR-07

NSAE-00 PA-01 PRS-01 SS-15 NSC-05 SP-02 FRB-03

SSO-00 NSCE-00 INRE-00 /078 W

-----241649Z 024094 /43

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FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC IMMEDIATE 9936

INFO RUFNPS/USMISSION OECD PARIS IMMEDIATE

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY CARACAS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMEMBASSY VIENNA

USMISSION EC BRUSSELS

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E.O. 11652: N/A

TAGS: EFIN, PO, BE

SUBJECT: FINANCIAL ASSISTANCE FOR PORTUGAL

REFS: (A) STATE 117741, (B) BRUSSELS 4621

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1. IN ACCORDANCE WITH INSTRUCTIONS REF A, EMBOFF HAS SPOKEN AGAIN WITH FINANCE MINISTRY INTERNATIONAL COUNSELOR JACQUES VAN YPERSELE. WE ARE PLANNING TO SEE FOREIGN MINISTRY DIRECTOR GENERAL GROOETHAERT AND, WHEN THE NEW GOVERNMENT IS IN PLACE, THE FOREIGN AND FINANCE MINISTERS. BUT IN VIEW OF THE FINANCE MINISTRY'S OPPOSITION TO THE U.S. PLAN ON PORTUGAL, WE ARE REPORTING VAN YPERSELE'S CURRENT VIEWS SEPARATELY FOR

EARLY CONSIDERATION.

2. VAN YPERSELE SAYS THAT HE HAS RECEIVED REPORTING ON THE MAY 16 MEETING FROM HIS OWN, EC COMMISSION AND EC MEMBER COUNTRY SOURCES (INCLUDING A SUBSEQUENT COREPER MEETING), ALL OF WHICH DIFFERS SOMEWHAT FROM THAT OF USEOCD AND THE DEPARTMENT. ACCORDING TO HIS VERSION, ALL COUNTRIES PRESENT AGREED ON THE IMF ESTIMATES PRESENTED AND ON THEIR SIGNIFICANCE FOR POLITICAL DEVELOPMENTS IN PORTUGAL, BUT AT THE SAME TIME MOST STRESSED THE DIFFICULTY THEY WOULD HAVE IN FINDING MONEY FOR BILATERAL LOANS. FROM THE INFORMATION HE HAS, VAN YPERSELE CONSIDERS THAT BELGIUM'S RESERVED ATTITUDE IS SHARED, NOT ONLY BY FRANCE AND IRELAND, BUT ALSO BY OTHERS, INCLUDING THE NETHERLANDS, SWEDEN AND SWITZERLAND. VAN YPERSELE THUS SEEL NO REASON TO CHANGE HIS VIEW THAT BROAD PARTICIPATION IS UNLIKELY AND THAT, IN STANDING ASIDE, BELGIUM WOULD HAVE PLENTY OF COMPANY.

3. EMBOFF URGED THAT THE FINANCE MINISTRY RECONSIDER ITS ATTITUDE ON THIS QUESTION. VAN YPERSELE REITERATED HIS ARGUMENTS TO THE CONTRARY ALONG THE LINES OF PARA 6, REF B. HE TOOK CARE, HOWEVER, TO EMPHASIZE THAT HIS AND MINISTER DECLERCQ'S POSITION ON THE OECD SAFETY NET (FSF) IS A STRICTLY SECONDARY CONSIDERATION. THE MOST IMPORTANT POINTS FOR BELGIUM, HE SAID, ARE THE TIGHT STATE OF THE BUDGET AND "NOT PAYING TWICE" IN NEGOTIATING PORTUGUESE ENTRY INTO THE EC.

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4. VAN YPERSELE STRESSED THAT OUR DIFFERENCES OVER THIS ISSUE ARE NOT ABOUT WHETHER THERE IS A PROBLEM BUT HOW BEST TO SOLVE IT. THE U.S. APPROACH, IN HIS VIEW, MAKES UNACCEPTABLE BUDGET DEMANDS ON MOST OECD COUNTRIES. EMPHASIZING THAT HE WAS BROACHING THE IDEA ON A STRICTLY PERSONAL BASIS, VAN YPERSEL ASKED WHETHER INTERESTED AND SYMPATHETIC GOVERNMENTS COULD NOT RATHER APPROACH THE PORTUGAL PROBLEM THROUGH CREATION OF AN AD HOC CONSORTIUM OPERATING ON THE BASIS OF THE SAFETY NET AGREEMENT. FOR GOVERNMENTS WHICH HAVE ALREADY OBTAINED FSF RATIFICATION, (E.G. BELGIUM), PARLIAMENTARY AGREEMENT TO AN AD HOC ENDEAVOR ON THE SAME BASIS WOULD BE EASIER POLITICALLY. IT WOULD BE EASIER ECONOMICALLY AS WELL, SINCE GOVERNMENTS WOULD, IN MOST CASES, BE GUARANTEEING CONSORTIUM BORROWING ON THE MONEY MARKETS, RATHER THAN MAKING A DIRECT TRANSFER OF BUDGET FUNDS. FOR GOVERNMENTS SUCH AS THE U.S. WITHOUT FSF RATIFICATION, THEIR LEGISLATURES MIGHT BE MORE AMENABLE TO A ONE-TIME OPERATION, PARTICULARLY ON GROUNDS AS COMPELLI NG AS IN THE PORTUGAL CASE.

5. RECOMMENDATION: VAN YPERSELE WILL BE IN PARIS TOMORROW, MAY 25, TO ATTENDS THE WP-3 MEETING. WE SUGGEST THAT, IF THE OPPORTUNITY PRESENTS ITSELF, UNDER SECRETARY SOLOMON OR ANOTHER MEMBER OF THE USDEL KNOWLEDGEABLE ON THIS SUBJECT COULD USEFULLY DISCUSS IT FURTHER WITH HIM.
RENNER

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Message Attributes

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